

Message Text

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ACTION EUR-12

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COME-00 EB-08 FRB-01 INR-07 NSAE-00 SP-02 STR-06
TRSE-00 LAB-04 SIL-01 OMB-01 STRE-00 SS-15 L-03
H-02 PA-02 PRS-01 USIA-15 /101 W
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R 201606Z JAN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 4390
INFO AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION GENEVA

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PASS AGRICULTURE ELECTRONICALLY

ALSO FOR USEEC
GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, BE
SUBJECT: BELGIAN FARM VIEWS ON EC PRICE PROPOSALS
FOR 1978/79

1. A BELGIAN AGRICULTURAL NEWSPAPER (L'AGRICULTEUR -
JANUARY 13, 1978) CARRIED AN INTERVIEW WITH MR. DEQUAE,
THE NEW PRESIDENT OF THE BELGIAN BOERENBOND, CONCERNING
THE EC 197S/79 AGRICULTURAL PRICE PACKAGE PROPOSAL. AS
REPORTED EARLIER, ALL OF THE BELGIAN FARM ORGANIZATIONS
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PROTESTED AGAINST THE PROPOSAL FOR VARIOUS REASONS. THE
INTERVIEW WITH MR. DEQUAE RESTATES MOST OF THE BELGIAN
OBJECTIONS; HOWEVER, IT ALSO INTRODUCES THE CONCEPT THAT
IF THE PROPOSED PACKAGE IS ADOPTED, THE COMMUNITY MAY
GRANT SPECIAL WAIVERS IN CERTAIN EXTREME CASES. THE
BOERENBOND IS THE LARGEST AND MOST INFLUENTIAL FARM
ORGANIZATION IN BELGIUM.

2. THE MAJOR POINTS MADE BY MR. DEQUAE WERE THE FOLLOWING:

A) IN REPLY TO A QUESTION CONCERNING THE FIRST REACTION TO THE PROPOSED PRICES, MR. DEQUAE SAID THEY WERE TOTALLY INACCEPTABLE, AND REPRESENTED LESS THAN HALF OF THE JUSTIFIABLE INCREASE (ACCORDING TO THE FORMULA USED TO CALCULATE SUCH PRICES), EVEN AFTER HAVING SUBTRACTED THE 1.5 PERCENT INCREASE IN AGRICULTURAL PRODUCTIVITY. IN ADDITION, THE AVERAGE EUROPEAN INCREASE IN PRODUCTION COSTS IS ARTIFICIALLY REDUCED IN SOME COUNTRIES WHERE THE CURRENCY IS EITHER WEAK OR FLOATING.

B) MR. DEQUAE SAID IF THE PRESENT PROPOSALS ARE ADOPTED, IN BELGIUM THE AVERAGE PRICE INCREASE WOULD BE 1.8 PERCENT. THIS, IN TURN, WOULD MEAN THE INCREASE IN AGRICULTURAL INCOME WOULD BE THE ONLY ONE IN BELGIUM THAT DID NOT KEEP PACE WITH INDEXATION, WHICH ITSELF REFLECTS THE INCREASE IN COST-OF-LIVING. THE BELGIAN INDEX IS FORECAST TO INCREASE BETWEEN 6-7 PERCENT IN 1978, WHEREAS THE COST-OF-LIVING INCREASE IS FORECAST AT AN EVEN HIGHER LEVEL. THE NET EFFECT WOULD BE REDUCED BUYING POWER FOR THE AGRICULTURAL COMMUNITY.

C) ANSWERING A QUESTION ABOUT THE COPA REACTION TO THE UNCLASSIFIED

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PRICE PACKAGE, DEQUAE STATED A NUMBER OF DIVERGENT VIEWS EXIST WITHIN THIS ORGANIZATION AND CENTER PRIMARILY ON RESPECTIVE CURRENCY RELATIONSHIPS. COUNTRIES WITH WEAK CURRENCIES CAN SHOW LARGER INCREASES IN AGRICULTURAL PRICES WHEN CONVERTING UNITS OF ACCOUNT INTO THE NATIONAL MONIES, WHEREAS THE SAME IS NOT TRUE FOR COUNTRIES WITH STRONG CURRENCIES. IN ADDITION TO THESE DIFFERENCES, MR. DEQUAE SAID ENGLAND HAS A VERY INDEPENDENT VIEW OF EUROPEAN AGRICULTURAL POLICY. HOWEVER, IN SPITE OF THESE DIFFERENCES, COPA IS IN AGREEMENT THAT TO GRANT ONLY HALF OF THE INCREASE DETERMINED BY THE PRICE FORMULA IS INADMISSIBLE.

D) IN REPLYING TO A QUESTION ABOUT BRITISH WILLINGNESS TO DECREASE PRICES, MR. DEQUAE RESTATED HIS VIEW THAT THE BRITISH DO NOT HAVE A "EUROPEAN ATTITUDE" TOWARD THE COMMON AGRICULTURAL POLICY AS DEFINED IN THE TREATY OF ROME. IN ADDITION, THE DECLINING VALUE OF THE BRITISH POUND INSURES THAT AGRICULTURAL PRICES WILL INCREASE EVEN IF THERE IS A DROP IN THE UNIT OF ACCOUNT PRICE. MR. DEQUAE ALSO SAID THAT IN TERMS OF THESE PRICE DISCUSSIONS, IT APPEARS THE BENELUX COUNTRIES WILL BE LARGELY ISOLATED

FROM THEIR EUROPEAN PARTNERS, WITH ONLY A SLIGHT CHANCE OF RECEIVING SOME SUPPORT FROM GERMANY AND DENMARK. ON THE OTHER HAND, ITALY, FRANCE, IRELAND, AND GREAT BRITIAN ARE COUNTRIES WITH WEAK CURRENCIES, AND THEY WILL PROBABLY TRY TO MODERATE THE INCREASES IN AGRICULTURAL PRICES.

E) MR. DEQUAE FEELS BELGIUM IS IN THE WORST SITUATION VIS-A-VIS ITS EUROPEAN PARTNERS BECAUSE SHE IS CAUGHT BETWEEN A STRONG CURRENCY, A HIGH INFLATION RATE AND A HIGH INCREASE IN THE COST OF PRODUCTION. THE INFLATION RATE IS FORECAST AT 7 PERCENT, WHILE THE INCREASE IN COST OF PRODUCTION MAY EXCEED 10 PERCENT. MR. DEQUAE

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ADDED THAT, UNFORTUNATELY, A COUNTRY LIKE BELGIUM HAS A LIMITED AMOUNT OF INFLUENCE WITHIN THE COMMUNITY.

F) IN REPLY TO A QUESTION CONCERNING THE POSSIBILITY OF ADOPTING NATIONAL MEASURES TO GUARANTEE A LEVEL OF FARM INCOME COMPARABLE TO OTHER SECTORS, MR. DEQUAE INDICATED THE TREATY OF ROME PROHIBITS SUCH ACTIONS IF THEY INTERFERE WITH PRICES. NEVERTHELESS, TWO ALTERNATIVES MAY BE AVAILABLE. THE FIRST IS THE GRANTING OF WAIVERS

BY THE COMMISSION AND THE COUNCIL OF MINISTERS TO ALLEVIATE
CERTAIN EXTREME CONDITIONS. ACCORDING TO MR. DEQUAE,
EC COMMISSIONER GUNDELACH IS SYMPATHETIC TO SUCH A CONCEPT,
BUT THE SPECIFICS WILL BE DIFFICULT TO ARRANGE. IF THE
FIRST OPTION IS NOT FEASIBLE, THE BELGIAN FARM ORGANIZA-
TIONS FEEL THE MINISTER OF AGRICULTURE WILL HAVE TO
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PROPOSE MEASURES TO IMPROVE THE WELL-BEING OF FARMERS.
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